

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**OFFICE OF THE
CORPORATION COUNSEL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2002**



**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 22, 2003

Robert J. Spagnoletti
Corporation Counsel
Office of the Corporation Counsel
1350 Pennsylvania Avenue, N.W., Room 409
Washington, D.C. 20004

Natwar M. Gandhi
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Mr. Spagnoletti and Dr. Gandhi:

Enclosed is our report (OIG No. 3-1-7CB) summarizing the results of the Office of the Inspector General's (OIG) financial statement audit of the Office of the Corporation Counsel's Antifraud Fund for the year ended September 30, 2002. The Auditor's Report on Financial Statements presents an unqualified opinion. We discussed the results of our audit with management.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions please call me or William J. DiVello, Assistant Inspector General for Audits, at the number below.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.
Inspector General

CCM/js

Enclosure

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The Honorable Joseph Lieberman, Committee on Governmental Affairs
Attention: Patrick J. Hart (1 copy)

**OFFICE OF THE CORPORATION COUNSEL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2002**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 22, 2003

Robert J. Spagnoletti
Corporation Counsel
Office of the Corporation Counsel
1350 Pennsylvania Avenue, N.W., Room 409
Washington, D.C. 20004

Natwar M. Gandhi
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Auditor's Report on Financial Statements

Dear Mr. Spagnoletti and Dr. Gandhi:

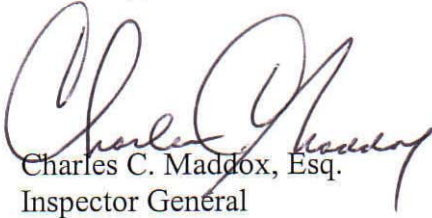
We have audited the accompanying financial statements of the Antifraud Fund of the Government of the District of Columbia Office of the Corporation Counsel as of and for the year ended September 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Office of the Corporation Counsel's (OCC) management and the Office of the Chief Financial Officer (OCFO). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Antifraud Fund as of September 30, 2002, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2003, on our consideration of the Antifraud Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

CCM/js

**OFFICE OF THE CORPORATION COUNSEL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

STATEMENT OF NET ASSETS

ASSETS	2002	2001
	<hr/>	<hr/>
Current Assets:		
Cash	\$ 22,345	\$ 10,146
	<hr/>	<hr/>
Total Assets	<u>22,345</u>	<u>10,146</u>
	<hr/>	<hr/>
LIABILITIES & FUND BALANCE		
Liabilities:		
Due to Others	-	4,113
	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>4,113</u>
	<hr/>	<hr/>
NET ASSETS	<u>\$ 22,345</u>	<u>\$ 6,033</u>

The accompanying notes are an integral part of these financial statements.

**OFFICE OF THE CORPORATION COUNSEL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

**STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS**

Revenues	2002	2001
Restitution	\$ 16,312	\$ 6,033
Total Revenue	<u>16,312</u>	<u>6,033</u>
Expenses		
Total Net Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues over Expenses	16,312	6,033
Net Assets at October 1, 2001	<u>6,033</u>	<u>-</u>
Net Assets at September 30, 2002	<u><u>\$ 22,345</u></u>	<u><u>\$ 6,033</u></u>

The accompanying notes are an integral part of these financial statements.

**OFFICE OF THE CORPORATION COUNSEL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

Cash Flows from Operating Activities	2002	2001
Net Operating Income	\$ 16,312	\$ 6,033
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Deferred Revenues	-	-
Net Cash Provided by Operating Activities	16,312	6,033
Cash at October 1, 2001	6,033	-
Cash at September 30, 2002	<u>\$ 22,345</u>	<u>\$ 6,033</u>

**OFFICE OF THE CORPORATION COUNSEL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Organization

The Antifraud Fund (Fund) was established by statutory provisions in the Procurement Reform Act of 1998 as codified at D.C. Code § 2-308.20. The statute states that the Fund is to be “operated as a proprietary fund with assets not to exceed \$2 million at any time.” *Id.* at § 2-308.20(a). Additionally, the statute requires the OIG to audit the Fund annually. *Id.* at § 2-308.20(c).

Deposits into the Fund are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. Additionally, the Fund may be used by the Office of the Corporation Counsel (OCC) to carry out the enforcement of the False Claims Act, including costs reasonably related to prosecuting cases and conducting investigations.

(2) Basis of Accounting

The Fund is maintained in accordance with the principles of fund accounting to ensure the observance of limitations and restrictions on the resources available. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, fund equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Antifraud Fund operates under one proprietary fund category – the Enterprise Fund.

The Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**OFFICE OF THE CORPORATION COUNSEL
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The Antifraud Fund applies all GASB (Governmental Accounting Standards Board) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(3) Method of Accounting

The Fund uses the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash.

Revenue collections for the Fund were accounted for separately but were deposited in the District of Columbia General Fund. Codes were utilized in the District of Columbia Government's accounting information system - System of Accounting and Reporting (SOAR) - to track or identify the amounts of revenue of the Fund that were deposited to the General Fund since inception.

(a) Cash

Cash from the Antifraud Fund is deposited in the District's pooled cash account. If the fund overdraws its share of the pooled cash, it will show a liability to the general fund, which is deemed to have loaned the cash to the overdrawn fund. Currently there are no investments made by the Antifraud Fund. Interest is earned on the overnight deposits and the Office of Finance and Treasury records a journal entry to allocate interest earned on the cash account balance of the Antifraud Fund.

(b) Restricted Assets and Liabilities

Net Assets represents the amount of equity the Antifraud Fund has accumulated since inception of the Fund. Currently, the Net Assets as of September 30, 2002 total \$22,344. The Antifraud Fund has a cap restriction of \$2 million. There were no reported liabilities of the Fund.

(c) Revenue and Expense Recognition

Fund revenues are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. The main categories of expenses of the Fund are personnel and no administrative overheads are charged to the Fund.

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(d) Use of Estimates

At this time in the life of the Fund, management does not use estimates as the amount of transactions to the Fund is limited.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Auditor's Report on Compliance and on Internal Control Over Financial Reporting

Robert J. Spagnoletti
Corporation Counsel
Office of the Corporation Counsel
1350 Pennsylvania Avenue, N.W., Room 409
Washington, D.C. 20004

Natwar M. Gandhi
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Mr. Spagnoletti and Dr. Gandhi:

We have audited the financial statements of the District of Columbia Antifraud Fund (Fund) as of and for the year ended September 30, 2002, and have issued our report thereon dated September 22, 2003.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Compliance

Compliance with laws and regulations applicable to the Fund is the responsibility of the Fund's management at the Office of the Corporation Counsel (OCC) and the Office of the Chief Financial Officer (OCFO). As part of obtaining reasonable assurance whether the financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws and regulations, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, our objective was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

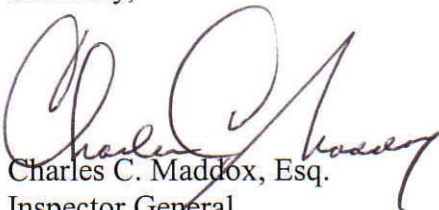
The OCFO is also responsible for establishing and maintaining an internal control structure for the Fund for the OCC. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our review of the internal control structure would not necessarily disclose all matters that might be material weaknesses under standards established the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal controls over financial reporting and its operation that we consider to be material weaknesses.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

CCM/js